



July 12, 2010

Dr. James B. Epting  
President  
North Greenville University  
Post Office Box 1892  
Tigerville, South Carolina 29688

Re: Your letter dated July 7, 2010

Dear Dr. Epting,

I am writing in response to your letter dated July 7, 2010, concerning the June 1, 2010 bill rendered to North Greenville University ("NGU") for sewer service provided by United Utility Companies, Inc. ("UUC" or the "Company") for the period April 30 through May 31, 2010. As indicated in your letter, the bill issued by UUC reflects sewer charges for 299 single family equivalents ("SFEs") and is based upon the number of SFEs attributable to NGU based on its existing facilities as determined by ORS.

You indicated in your letter that UUC increased the number of SFES at issue "without any prior communication" to you or NGU. However, NGU was a party of record to UUC's rate case in Docket No. 2009-479-W/S and you were in attendance at the hearing in that matter. The transcript of that proceeding reflects that, during your testimony to the Commission, you commented that one of ORS's witnesses, Mr. Willie Morgan, P.E., had advocated a higher number of SFEs for NGU and therefore recognized that if UUC were to charge for service using that higher number of SFEs, NGU's bill would increase.<sup>1</sup> Furthermore, I would note that NGU, and not UUC, elected to construct additional facilities on its campus subsequent to entering into the contract with NGU. Your letter acknowledges that NGU has, indeed, constructed additional facilities. Therefore, NGU was notified of the change to the number of SFEs which is reflected on its most recent bill.

In addition, you state that neither the ORS staff nor the Commission was informed of the agreement between NGU and UUC and that, therefore, this information was not available to them prior to any discussion concerning the number of SFEs attributable to NGU. To the contrary, I would note that both ORS and the Commission were made aware of the agreement between UUC and NGU in this proceeding<sup>2</sup> as well as previously in Docket No. 2006-107-W/S<sup>3</sup> (a proceeding in which NGU was also a party of record). Therefore, both ORS and the Commission had specific knowledge of the contract and its terms and ORS made its recommendation regarding the number of SFEs attributable to NGU after taking this information into consideration.

Furthermore, although the Commission denied UUC an increase in its rates for water and sewer service<sup>4</sup>, Order No. 2010-375 granted the Company's request to modify its rate schedule to incorporate the South Carolina Department of Health and Environmental Control ("SCDHEC") Unit Contributory Loading Guidelines ("DHEC Guidelines") relating to SFEs. Specifically, the Commission stated that it approved UUC's "proposed language modification to specify that the Company will follow pertinent DHEC regulations relating to SFEs for determining the appropriate monthly service and tap fee. Although you

<sup>1</sup> See Docket No. 2009-479-W/S, Transcript Vol. 6, p. 876, 878

<sup>2</sup> See Docket No. 2009-479, Applicant's Motion to Strike, Exhibit A.

<sup>3</sup> See Docket No. 2006-107-W/S, Applicant's Motion to Dismiss a Portion of Petition to Intervene and to Limit the Scope of Intervention, Exhibit B.

<sup>4</sup> As you are aware, UUC has petitioned the Commission to reconsider its decision in this proceeding or to schedule a new hearing so that the Company may present additional information on the matters discussed in Order No. 2010-375. You suggest that the timing of the increase in charges to NGU based upon the new number of SFEs is somehow related to this petition. Your suggestion in this regard is incorrect. The increase in charges is based upon the fact that the on-site review and audit conducted by ORS establishes that NGU was not paying for service based upon the number of SFEs attributable to its facilities. It appears to me that your letter, on the other hand, was clearly designed to affect the pending petition for rehearing since you felt it appropriate to file it with the Commission.

a Utilities, Inc. company United Utility Companies, Inc.

state in your letter that the number of SFEs "should not be arbitrarily raised by" UUC, I would note that the application of the current number of SFEs was derived by an ORS staff member who is both a registered professional engineer and certified public manager following an on-site visit, review of NGU's facilities, internet research and communications with NGU. UUC believes that Mr. Morgan's audit was complete and thorough and, therefore, has no basis to challenge his findings as being an appropriate determination of the SFEs that determine NGU's services charges under the UUC rate schedule. I note that in neither your testimony under oath nor in your letter have you stated any reason why Mr. Morgan's determination in this regard is incorrect. Therefore, the Company asserts that the current demand placed upon UUC's system, in accordance with DHEC Guidelines and as determined by Mr. Morgan through his audit, warrants the imposition of service charges based upon 299 SFEs.

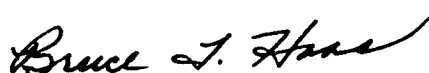
Finally, you indicate in your letter that NGU has "chosen to use other alternatives to handle [its] sewage since [it] cannot afford [UUC's] services." While NGU certainly has the ability to manage its need for wastewater services as permitted by federal and state law, the implication that NGU is subject to financial hardship to pay for those services rendered by UUC, frankly, rings hollow. First, as NGU is aware, UUC wastewater rates have not increased for over eight years. Second, UUC is entitled to recover charges for the amount of sewer services rendered which for NGU, as independently determined by ORS, is properly calculated based upon 299 SFEs. Third, as I indicated in my previous letter dated June 24, 2010, UUC has stated that it will not backbill NGU for any incorrect or under-billing of SFEs. Although NGU has received the benefit of being charged for sewer service based on a lesser number of SFEs for some time, UUC does not intend to exercise its right under Commission Regulation 103-533.2 to collect the additional charges which it was entitled to collect during the past six months. Finally, publicly available information demonstrates that NGU is under no financial hardship. In fact, according to the most recently available Form 990 submitted to the IRS, a copy of which is attached hereto, in 2007, NGU enjoyed **a net annual profit of almost \$5 million** and apparently was able to easily meet its financial obligation of almost \$1 million to compensate its employees and board members. Therefore, the apparent financial health of NGU does not support your claim that NGU is unable to remit payment for services rendered by UUC based upon an independent verification of the demand placed upon the Company's system.

As indicated, full payment for the June 1, 2010, bill rendered to NGU for sewer services provided by UUC was due on June 22, 2010. To date, the Company has only received payment for \$12,011.76 leaving a past due balance of \$2,412. Although UUC has agreed to waive any late penalty charges on this amount if paid with NGU's next monthly invoice, if payment of this past due amount is not remitted, UUC will terminate service to NGU in accordance with Commission regulations.

Thank you for your prompt attention to this matter.

Sincerely,

UNITED UTILITY COMPANIES, INC.



Bruce T. Haas  
Regional Director

cc: File  
The Honorable Jocelyn G. Boyd  
Nanette S. Edwards, Esquire  
Duke McCall, Esquire